

REQUEST FOR COUNCIL ACTION

MEETING

DATE: 9/15/03

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AGENDA SECTION: Consent Agenda	ORIGINATING DEPT: Finance Department	ITEM NO. D-10
ITEM DESCRIPTION: Group Health Insurance Renewal		PREPARED BY: Jennifer King

Corporate Benefit Services of America (CBSA) has provided renewal information regarding the group health insurance plan provided by the City of Rochester. Excess risk insurance quotes were sent to 9 reinsurance companies with only 2 renewal quotes being provided to the City. Carriers declined to quote based on non-competitive, industry, or potential ongoing large claim concerns. The most favorable quote was made by the City's current carrier, ING/ReliaStar, which indicated that the premium/administrative fees would increase by 16% to \$384,667.44 with the overall maximum funding increasing by 22% or an annual maximum funding level of \$9,271,667.76. The previous year's administration fees were \$330,954.12 with the annual maximum payout set at \$7,616,364.84. The highest reinsurer's quote for this year, Hartford Life, indicated that the premium/administrative fees would increase by 13% with the overall maximum funding increasing by 30% or an annual maximum funding level of \$9,908,498.88. The increase in rates and funding is due to the high utilization that the plan has incurred during the previous year. Therefore, the City retains the majority of exposure for the cost of the plan due to it being self-insured.

This percentage increase in the reinsurance rate is only one part of total group health claims. The lower interest rates have significantly decreased investment returns in this fund as well. Expected total costs for the coming year is estimated to increase by 24.5%. City staff recommends that the City Council accept the ING/ReliaStar quote for the excess risk insurance policy.

COUNCIL ACTION REQUESTED:

Authorize the City Administrator to sign the Administrative Services Agreement with Corporate Benefit Services of America, Inc under the City Council authorization previously given to administrate the health and dental plan. Approve the excess risk insurance contract with ING/ReliaStar Life Insurance Company.

COUNCIL ACTION: Motion by: _____ Second by: _____ to: _____

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